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SUBMISSION

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Inquiry: The Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 [Provisions].

Executive Summary

Superyacht Australia is the peak body for the Superyacht Industry.

The Australia Superyacht Industry contributes \$1.95 billion to the Australian economy currently supporting 14,500 jobs.

The ability for Foreign Flagged (FF) superyachts to charter in Australia is the single biggest inhibitor to growth in the Australian superyacht industry.

Superyacht Australia as per recent research (see attached EIS) expects an increase of up to 80% by 2021 if government policy allows the industry to meet its potential.

Countries in our Pacific region that have recently encouraged FF superyacht charter and have appropriate legislation have seen fantastic success with an annual increase of yacht visitation. e.g 54% in NZ

The Australian domestic charter market and Australian registered charter brokers strongly support the introduction of allowing FF superyacht charters to stimulate the industry and increase the superyacht charter market in Australia. Currently Australia cannot offer the high end product range for HNWI wanting to charter. i.e. the Australian charter fleet ranges from 24-35 metres in the main and most international clients want 35-70 meters plus. The strong marketing focus global charter brokers will put on Australia if they can charter will also stimulate the local charter boat market.

Currently, due to unworkable charter legislation, key decision makers in the deployment of FF charter superyachts do not encourage visitation to Australia and are reluctant to allow vessels that do come to Australia to stay for any significant period.

There is no environmental impact from superyachts as their luxury nature and unforgiving classification ensures they are maintained to the highest standards. A full Lloyds or equivalent survey is required every 5 years, with a 2.5 year interim. The vessels are required to have greenest operating systems for black and grey water tanks and rubbish collection. Waste must be taken to the closest port for removal. Navigation and anchoring systems are state of the art. This is confirmed by GBRMPA who have now provided 21 anchorages for vessels over 35 meters within the GBR. They have analysed the industry and have agreed environmentally they are low risk.

In terms of national security they are considered extremely low risk and this is also evidenced by the fact NZ allow FF superyachts and see no risk to their security from this industry sector which is now bringing considered a key industry sector by the NZ government who have actively market NZ as a destination for superyachts to charter.

Superyacht crew are highly paid and trained and it is stated there are more Australians serving as superyacht crew than there are serving on board in the Australian navy.

It is also important to note that a charter is booked by one person with their family or personal guests and does not include individual paying customers.

The proposed amendments to the Coastal Trading Act will permit FF superyacht charter and help unlock the large economic potential of the industry calculated as an additional 11,800 FTE jobs and \$1.64 billion by 2021.

DEFINITION

Superyacht is defined as:

- a) Using a single luxury vessel that:
 - a. Is equal to or greater than 24m in length
 - b. Does not carry cargo
 - c. Has a master and crew
 - d. Has been surveyed for overnight use with provision for up to 12 passenger sleeping berths
- b) Provides a whole of vessel charter to a single client, without taking bookings from individual passengers or agents; and
- c) Is not advertised or promoted as having regular destinations, routes or timetables; and
- d) At any one time, uses only one primary vessel.

BACKGROUND

There are 5,796 registered Superyachts worldwide (Superyacht Intelligence, 2017), the majority based in the Mediterranean and Caribbean. Australia attracts less than 1.1% of these vessels with between 60-70 foreign flagged vessels visiting annually (AEC, released Jan 2017).

Australian crew dominate the international superyacht workforce, Donna Morris of crew training and recruitment company Superyacht Crew International, states that “out of a workforce of around 70,000 worldwide, Australians make up at least 20% which is around 14,000 workers.”

Many of these are in key positions such as Captain, First Mate, Chief Engineer and Chief Stewardess. The lifelong experience with the ocean, excellent work ethic and high education standards are key reasons why they are highly sought crew within the industry. These skills being developed internationally will be extremely valuable for Australia when these crew return home. Superyacht Australia has worked with AMSA to ensure Australian crew with qualifications gained overseas will have these qualifications and time served on a superyacht recognized by AMSA.

It is critical for the growth and development of the Australian industry that Australia have a strong, globally competitive and highly skilled maritime industry with regulatory settings that rather than act as a barrier support growth and development.

The superyacht sector is unique in that it is considered by the department of Immigration & Border protection, the Australian Marine Safety Authority and the Great Barrier Reef Marine Park Authority to be low risk. This is certainly evidenced by the GBRMPA now providing increased access to anchorages within the Great Barrier Reef to superyachts over 35 meters.

ECONOMIC IMPACT OF SUPERYACHTS

The value of the superyacht sector to the national economy is \$1.95 billion supporting 14500 jobs. With appropriate changes to policy settings this value is calculated to increase by 80% within 5 years delivering 11,800 more jobs and an additional \$1.64 billion (AEC, 2017).

This economic impact is felt most strongly in regional areas, for instance the economic contribution to the Cairns regional economy represents 2.8% of the gross regional product and 2.9% of the regions jobs.

The development of a policy for foreign flagged superyachts to have the ability to charter is identified as the single most important policy in achieving this potential and creating jobs and revenue for these regional economies.

ALLOWING SUPERYACHT CHARTER- what is it, how would it affect the Australian domestic market?

More than half the worldwide superyacht fleet is available for charter. The charter industry is a very important section of the industry for a number of reasons.

Firstly, for owners who on average use the vessel for less than 6 weeks of the year (Wilkinson T.L 2010), it allows the vessel to offset some of its operating costs.

Secondly, it is a crucial stepping stone towards ownership for prospective owners. Owners will often charter for a number of years before deciding to build or purchase their own vessel. Without this stepping stone the industry would not likely grow at its current rate.

Lastly, and particularly relevant for countries in the South Pacific; as a charterer it allows them to see more remote parts of the world. For owners, it offsets the cost of relocating the vessel to remote locations such as the South Pacific if a couple of charters are sold whilst it is there.

The decision to charter has three key elements; Time, Vessel and Location. The prospective charterer will be looking at a certain date range when they have the time available for a charter. They will have specific requirements and tastes that need to be met by a vessel, such as Sailing or Motor Yacht, size, design/build, tenders, helicopter, age and price. Lastly, the charterer will have a region or location that they wish to cruise. When the right vessel is available at the right time and in the right location, then this is a decision point. If one of these things is not available then a charter will not be made.

With these decisions to charter in mind, charter brokers are key influencers as to where vessels are to be deployed in order to get maximum charter returns. They will cycle vessels through destinations that have attractive or are nearby attractive cruising grounds and crucially have charter friendly legislation.

Chartering increases the use of a vessel in a guest capacity (additional to the owners). The more voyages the vessel conducts with guests the more the local supply chain benefits in stores, fuel and food. Additionally, there is significant pre and post charter spend by each group of charter guests.

Areas that have a high level of charter activity receive increased exposure to the Superyacht market which then encourages further investment in locally based vessels, infrastructure and repair facilities.

Domestic charter yachts are presented to a greater audience when FF charter is available. The strength of the entire global charter industry marketing for that country means a significant increase in exposure and

more consumer confidence is generated towards that country. Whilst a client may be drawn to the marketing of a FF 60m vessel for charter, this may be out of their budget and they may consider a domestic flagged vessel of 30-40m that might not otherwise have drawn their attention instead.

An important point to note is that FF superyacht charter rather than competing with locally operated vessels acts to stimulate the entire charter industry which benefits locally based charter vessels and agents in that area/country. It also gives confidence to the local market to create jobs.

Superyachts do NOT take on individual paying customers.

AUSTRALIAN LEGISLATION

Australian legislation does **not** allow easy charter for foreign flagged (FF) superyachts.

Coastal Trading License – the 12 month temporary coastal trading license under the current legislation was seen as a possible solution and attempted to be used by a FF superyacht in 2014 (45m Sailing Catamaran *SY Hemisphere*, charter agency Burgess Yachts) without success for the following reasons:

1. Requires a minimum of five voyages, pre-arranged before the vessel arrives in Australia. It is extremely unlikely a vessel will have more than one or two interested charterers before gaining a permit to charter in Australia, it is also considered a successful charter period to have only two or three charters in a season. A vessel is unlikely to promote charter availability in region unless it has already secured a permit.
2. A voyage under the legislation is defined from one port to a separate port. Guests will likely want to charter in and out of the same port; for instance, Cairns through the Great Barrier Reef returning to Cairns. This is not defined as a voyage under the Coastal Trading legislation.
3. The temporary license does not clearly permit yachts from conducting yard or refit work between charters. Advice from Customs previously has detailed that when a vessel is not on a voyage it may be subject to the customs act i.e. the yacht must be entered for home consumption. Refit and repair work drives a lengthy supply chain, creates jobs and has significant economic returns for Australia and is the key economic driver within the industry.
4. In summary this current legislation is not workable for the superyacht industry, it was not designed for this industry which has become collateral damage due to the regulations designed for the commercial shipping industry.

Changes to the Coastal Trading Act that are pertinent to the Superyacht industry
and will drive jobs and economic benefits to Australia

The government submitted the following amendments to the Coastal Shipping Act into parliament

1. The requirement for the above mentioned minimum five voyages was removed to allow for a single voyage,
2. The requirement for each voyage to be between two separate ports was removed with the ability to go from one port back to that same port
3. The amendments allowed for vessels to undertake repairs and refits whilst alongside or in dry docking whilst on a temporary licence

These changes are strongly supported by the Superyacht industry as it will remove the final restrictions to growth in this industry sector. However Superyacht Australia would like to see Superyachts specifically mentioned in this legislation as we clearly operate differently to coastal freighters and do not pose any threats at all to the Australian domestic market in terms of jobs or revenue

REGULATION IN NEIGHBOURING COUNTRIES

Changes in legislation to allow FF Superyacht charter in neighboring countries such as Fiji has shown a 40% increase in vessel visitation with an of average stay of 136 days (Fiji, 2016). New Zealand enjoyed an increase of 54% in superyacht visitation in 14/15 with new legislation permitting a vessel to stay up to 2 years (NZ Marine, Dec 2014). Tahiti has been successful in attracting charter superyachts for a long time, however recently extended the length of stay permitted from 2 years to 3 years (Tahiti, 2016)

All 3 Pacific Countries are already gearing up for the influx of superyachts that will head our way for the Americas Cup. Many will plan to come to the region for 1-2 years. If these vessels cannot charter in Australia they will go elsewhere thus losing millions of dollars and jobs for the Australian economy. During the lead up to the last Americas cup in NZ Tahiti saw a 50% increase in vessels chartering in their waters.

NATIONAL SECURITY FACTORS FROM ALLOWING SUPERYACHTS TO CHARTER

Globally superyachts are seen as a low security risk due to their extremely high value and very high profile. When considering the risk profile for potential security risks to Australia, vessels of such value would unlikely be put at risk for confiscation, nor would vessels that attract such attention likely be used for clandestine activities. Additionally, Superyachts have professional, well trained and paid crew who are very unlikely to put this career at risk in order to be involved with anything that would pose a security risk to Australia..

The NZ government also has considered that any risk from foreign flagged superyachts chartering in NZ waters to be very low. Also due to the customs and Inland Revenue Department (IRD) requirements, each charter comes to the attention of the NZ government authorities. (GST is paid on the charter fee)

ENVIRONMENTAL

The Large Yacht Code ((MCA – LYC3) adopted by the Australian Marine Safety Authority is applicable to vessels 24 metres and over in load line length and is the Code of Practice applied to yachts which are in commercial use for sport or pleasure, do not carry cargo and do not carry more than 12 passengers.

The Code sets standards of safety and pollution prevention, which are appropriate to the size and operation of the vessel. For vessels of this size, standards are normally set by the relevant international conventions. This Code provides equivalent standards, as permitted by these conventions, where it is not reasonable or practical to comply with the prescriptive requirements of the international convention.

Superyacht Crew are trained professionals with the highest qualifications. They accept a strong duty of care of the surrounding environment and also of the high value asset they are responsible for to ensure best practice operation.

A Superyacht by its luxury nature and unforgiving classification is maintained to the highest standards. A full Lloyds or equivalent survey is required every 5 years, with a 2.5 year interim. The vessels are required to have greenest operating systems for black and grey water tanks and rubbish collection. Waste must be taken to the closest port for removal. Navigation and anchoring systems are state of the art.

Greater access for superyachts does not mean negative impact. Greater access raises destination profile and grows regional economies.

Charter schedules are planned with great care and environmental sustainability in mind

RISK SUMMARY

- No individual passengers, and only 12 max at any one time.
- Use local tourism operators i.e dive masters/aircraft operators
- Superyachts are extremely eco friendly and have advanced tertiary and waste removal systems.
- incredibly safe, state of the art navigation systems
- are at the forefront of technology with fuel systems,
- are operated by professionally trained staff,
- have thorough risk management plans,
- meet international safety and class standards.

CONCLUSION

Australia is well placed with our marine maintenance capability, infrastructure and natural attractions to become the market leader of the superyacht industry in the Asia Pacific region. Allowing foreign flagged (FF) superyachts to charter in Australia is the single key to gaining this position. The Australian economy will gain considerable revenue and jobs that will flow from the repair and refit if FF vessels are permitted

to charter here. Countries such as Tahiti, Fiji and NZ are already seeing huge economic benefits from introducing legislation that encourages FF superyacht charter.

Currently, key decision makers in the deployment of FF charter superyachts do not encourage visitation to Australia and are reluctant to allow vessels that do come to Australia to stay for any significant period. These brokers favor charter friendly neighboring countries so that the vessel can be available for charter.

Local charter brokers strongly encourage more FF superyachts to be able to visit and charter in Australia as this will stimulate the domestic charter industry in Australia as it will ensure strong global promotion of Australia by the major global charter brokers and high end travel agents. The Australian domestic market is a different product from the FF superyachts as they are generally 24-35 mtrs as opposed to FF superyachts being 35 meters plus. The domestic industry will attract business from those not in the price range of the bigger yachts and this will also stimulate jobs in the Australian economy for the domestic market.

A solution to the current restrictive requirements under the Coastal Trading Act is the final requirement to unlock this important opportunity. Superyacht Australia strongly supports the changes to the Coastal Trading Act proposed by government which will permit FF superyachts to charter in Australia. We would like to see however specific wording relating to superyachts given the unique nature of their operation.

There is no requirement for financial investment by the government to allow superyachts to charter in Australia. There has already been considerable investment by industry with infrastructure of shipyards and marinas. A change to red tape is all that is required for the full potential of this industry to be unlocked.

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